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**SR Santan
Expansion Project**

**Quarterly
Report**

April 2003



Prepared for
The Arizona Corporation Commission

Submitted by
Sant River Project



SALT RIVER PROJECT

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KELLY J. BARR, ESQ.

Manager, Regulatory Affairs & Contracts

April 30, 2003

Chairman Marc Spitzer
Commissioner Mike Gleason
Commissioner Jeff Hatch-Miller
Commissioner Jim Irvin
Commissioner William A. Mundell
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: Docket No. L-00000B-00-0105, Decision No. 63611

Dear Commissioners:

Enclosed please find SRP's sixth quarterly report on the status of the Santan project. This report provides up-to-date information and documentation on the status of SRP's efforts to comply with each condition contained in the Certificate of Environmental Compatibility (CEC).

As always, please feel free to contact me if you have any additional questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Kelly J. Barr".

Kelly J. Barr

Enc.

cc: Lyn Farmer, Chief Administrative Law Judge
Ernest Johnson, Utilities Director
Patrick Williams, Compliance and Enforcement Manager
Chris Kempley, Legal Director
Brian McNeil, Executive Secretary
Docket Control

Richard H. Silverman, General Manager
Richard M. Hayslip, Manager, Environmental, Land, Risk Management & Telecom

**BEFORE THE ARIZONA POWER PLANT
AND TRANSMISSION LINE SITING COMMITTEE**

In the matter of the Application of Salt
River Project Agricultural Improvement and
Power District in conformance with the
requirements of Arizona Revised Statutes
Sections 40-360-03 and 40-360.06, for a
Certificate of Environmental Compatibility
authorizing the Expansion of its Santan
Generating Station, located at the intersection
of Warner Road and Val Vista Drive,
in Gilbert, Arizona, by adding 825 megawatts
of new capacity in the form of three combined
cycle natural gas units, and associated
intraplant transmission lines.

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY

Pursuant to notice given as provided by law, the Arizona Power Plant and
Transmission Line Siting Committee (the "Committee") held public hearings at the
Dobson Ranch Inn, 1644 South Dobson Road, Mesa, Arizona, on September 14, 2000,
and various days following, in conformance with the requirements of Arizona Revised
Statutes section 40-360 *et seq.*, for the purpose of receiving evidence and deliberating
on the Application of Salt River Project Agricultural Improvement and Power District
("Applicant") for a Certificate of Environmental Compatibility in the above-captioned
case (the "Application").

The following members or designees of members of the Committee were present
for the hearing on the Application:

Paul A. Bullis Chairman, Designee for Arizona Attorney General Janet
Napolitano

Steve Olea Designee of Chairman of the Arizona Corporation
Commission

1	Richard Tobin	Designee for the Arizona Department of Environmental Quality
2		
3	Dennis Sundie	Designee for the Director of the Department of Water Resources
4		
5	Mark McWhirter	Designee for the Director of the Energy Office of the Arizona Department of Commerce
6		
7	George Campbell	Appointed Member
8	Jeff McGuire	Appointed Member
9	A. Wayne Smith	Appointed Member
10	Sandie Smith	Appointed Member
11	Mike Whalen	Appointed Member

12 The Applicant was represented by Kenneth C. Sundlof, Jr., Jennings, Strouss &
13 Salmon PLC. There were seventeen intervenors: Arizona Utilities Investor Association,
14 by Ray Heyman; Arizona Corporation Commission Staff, by Janice Alward; Arizona
15 Center for Law in the Public Interest, by Timothy Hogan, Mark Kwiat, Elisa Warner,
16 David Lundgreen, Cathy LaTona, Sarretta Parrault, Mark Sequeira, Cathy Lopez,
17 Michael Apergis, Marshal Green, Charlie Henson, Jennifer Duffany, Christopher
18 Labban, Bruce Jones and Dale Borger. There were a number of limited appearances.

19 The Arizona Corporation Commission has considered the grant by the Power
20 Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP
21 and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition,
22 that documentary evidence was presented regarding the need for the Santan Expansion
23 Project. Credible testimony was presented concerning the local generation deficiency in
24 Arizona and the need to locate additional generation within the East Valley in order to
25 minimize transmission constraints and ensure reliability of the transmission grid. The
evidence included a study that assessed the needs of the East Valley. The analysis

1 found that the East Valley peak load currently exceeds the East Valley import capability
2 and within the next 5 years the East Valley load will exceed the load serving capability.

3 Additional testimony was presented regarding SRP's projected annual 3.7% load
4 growth in its service territory. By 2008, SRP will need approximately 2700 MW to meet
5 its load. This local generation plant will have power available during peak periods for
6 use by SRP customers.

7
8 At the conclusion of the hearing and deliberations, the Committee, having
9 received and considered the Application, the appearance of Applicant and all
10 intervenors, the evidence, testimony and exhibits presented by Applicant and all
11 intervenors, the comments made by persons making limited appearances and the
12 comments of the public, and being advised of the legal requirements of Arizona Revised
13 Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to
14 grant Applicant the following Certificate of Environmental Compatibility (Case No. L-
15 00000B-00-0105):

16 Applicant and its assignees are granted a Certificate of Environmental
17 Compatibility authorizing the construction of an 825 megawatt generating facility
18 consisting of three combined cycle units with a total net output of 825 megawatts
19 together with related infrastructure and appurtenances, in the Town of Gilbert, on
20 Applicant's existing Santan Generating Station site, and related switchyard and
21 transmission connections, as more specifically described in the Application (collectively,
22 the "Project"). Applicant is granted flexibility to construct the units in phases, with
23 different steam turbine configurations, and with different transmission connection
24 configurations, so long as the construction meets the general parameters set forth in the
25 application.

1 This certificate is granted upon the following conditions:

- 2 1. Applicant shall comply with all existing applicable air and water pollution
3 control standards and regulations, and with all existing applicable
4 ordinances, master plans and regulations of the State of Arizona, the
5 Town of Gilbert, the County of Maricopa, the United States, and any other
6 governmental entities having jurisdiction.

7 **Status ~ Based on meetings with ADEQ, SRP must obtain an AZPDES**
8 **permit for wastewater discharges to the SRP irrigation system.**
9 **According to ADEQ, wastewater discharged to the RWCD irrigation**
10 **system is regulated under the Aquifer Protection Permit program and**
11 **the Reclaimed Water Permit program. SRP is having additional**
12 **discussions with ADEQ to determine the specific compliance**
13 **requirements under the Reclaimed Water Permit program.**

- 14 2. This authorization to construct the Project will expire five (5) years from
15 the date the Certificate is approved by the Arizona Corporation
16 Commission unless construction of the Project is completed to the point
17 that the project is capable of operating at its rated capacity; provided,
18 however, that Applicant shall have the right to apply to the Arizona
19 Corporation Commission for an extension of this time limitation.

20 **Status ~ No update or change from January 2003 quarterly report.**

- 21 3. Applicant's project has two (2) approved transmission lines emanating
22 from its power plant's transmission switchyard and interconnecting with
23 the existing transmission system. This plant interconnection must satisfy
24 the single contingency criteria (N-1) without reliance on remedial action
25 such as a generator unit tripping or load shedding.

Status ~ No update or change from January 2003 quarterly report.

4. Applicant shall use reasonable efforts to remain a member of WSCC, or
its successor, and shall file a copy of its WSCC Reliability Criteria
Agreement or Reliability Management System (RMS) Generator
Agreement with the Commission.

Status ~ No update or change from January 2003 quarterly report.

5. Applicant shall use reasonable efforts to remain a member of the
Southwest Reserve Sharing Group, or its successor.

Status ~ No update or change from January 2003 quarterly report.

6. Applicant shall meet all applicable requirements for groundwater set forth
in the Third Management Plan for the Phoenix Active Management Area.

Status ~ No update or change from January 2003 quarterly report.

7. With respect to landscaping and screening measures, including the improvements listed in the IGA, Applicant agrees to develop and implement a public process consistent with the process chart (Exhibit 89) presented during the hearings, modifying the dates in the IGA with the Town of Gilbert, if necessary, to correspond with the schedule in Exhibit 89.

The new Community Working Group (CWG) will consist of 12 members, selected as follows: one member selected by the Town of Gilbert, four members selected by neighborhood homeowner associations, four representatives selected by intervenors, and three members selected by SRP (not part of the aforementioned groups) who were part of the original community working group. Applicant and landscaping consultants shall act as advisors to the CWG. CWG meetings shall be noticed to and be open to the general public. The initial meeting shall take place on an evening or weekend in the Town of Gilbert.

The objective of the CWG shall be to refine the landscaping and mitigation concept plans submitted during these hearings (Exhibit 88). The CWG shall work to achieve appropriate visual mitigation of plant facilities and to facilitate the design and installation of the concept plan components so as to maximize the positive impact on the community and to increase, wherever possible, the values of the homes in the neighboring areas. The refinement of the mitigation plans shall be reasonably consistent with the planning criteria of the Town of Gilbert, the desires of neighboring homeowner associations, and the reasonable needs of Applicant.

Applicant shall retain an independent facilitator, acceptable to the CWG, to conduct the CWG meetings. It shall be the role of the facilitator to assist in initial education and in conducting an orderly and productive process. The facilitator may, if necessary, employ dispute resolution mechanisms.

The CWG shall also assist in establishing reasonable maintenance schedules for landscaping of Applicant's plant site in public-view areas.

Applicant will develop with the Town of Gilbert a continuous fund, to be administered by the Town of Gilbert, to provide for the construction and maintenance of off-site landscaping in the areas depicted in the off-site landscaping concepts as developed by the CWG in an amount sufficient to fund the concepts in Exhibit 88 or concepts developed by the CWG, whichever is greater.

Status ~ The process to complete the landscaping and screening designs around the Santan Generating Station is complete.

1 The CWG has agreed on a conceptual plan for the onsite landscaping
2 based upon work performed by Ten Eyck Landscape Architects. SRP has
3 agreed to fund this plan at a cost of approximately \$6.7 million. Ten Eyck
4 Landscape Architects has completed the construction documents for this
5 plan. The Town has completed its review.

6 The final CWG meeting was held on December 9, 2002. The CWG reviewed
7 and approved the landscape architect's work on the onsite construction
8 documents.

9 SRP has finalized the details for two separate offsite landscaping programs
10 - the HOA landscaping program and the individual landscaping program
11 established for County residential properties.

12 HOA Offsite Landscaping Program ~

13 Nineteen (19) HOAs are within the defined radius and eligible to participate
14 in the program.

15 All nineteen (19) HOAs have agreed to participate in the program.

16 SRP will make a one-time payment to the HOAs to fund improvements to
17 help mitigate views of the power plant.

18 Future annual payments to the HOAs for offsite landscaping maintenance
19 will be 5% of that portion of the one time allocation dedicated to vegetative
20 landscaping. The annual payments will continue for a period of twenty (20)
21 years beginning in 2004.

22 Plan submittals and implementation timelines are due to SRP by May 21,
23 2003.

24 Six HOA's have submitted plans, three have been approved and three will
25 require more information.

 An additional reminder letter (Appendix A) was sent via registered mail on
 Thursday, April 3, 2003 to all HOA's reiterating the May deadline. Examples
 of acceptable plans were included.

Individual County Landscaping Program ~

 Residents of three County communities have been invited to participate.

 Vouchers and checks were mailed to the 88 residents who submitted
 documentation to be included in the program.

 The County offsite landscaping program ended on March 15, 2003, with
 42% participation.

 The CWG has directed Salt River Project to use the landscaping
 maintenance specifications for Papago Park Center as a reference as they
 develop the landscaping maintenance plan for Santan Generating Station.

8. The visual mitigation efforts shall be in general compliance with the plans and
concepts presented in these proceedings and constitute a commitment level by
Applicant. Applicant will not reduce the overall level of mitigation as set forth in
its Application and this proceeding, except as may be reasonably changed
during the CWG process. The Town of Gilbert shall approve the plans agreed
to by the CWG.

Status ~ No update or change from January 2003 quarterly report.

9. Applicant shall, where reasonable to do so, plant on site trees by the fall of 2001. Because planting of trees must await the improvement of Warner Road and the design and construction of berms, this condition will largely apply to trees on the East side of the site, and some of the trees on the North side. All landscaping will be installed prior to the installation of major plant equipment such as, but not limited to, exhaust stacks, combustion turbines, and heat recovery steam generators, except where delays are reasonably necessary to facilitate construction activities.

Status ~ No update or change from January 2003 quarterly report.

10. Applicant shall operate the Project so that during normal operations the Project shall not exceed the most restrictive of applicable (i) HUD residential noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City of Tempe standards. Additionally, construction and operation of the facility shall comply with OSHA worker safety noise standards. Applicant agrees that it will use its best efforts to avoid during nighttime hours construction activities that generate significant noise. Additionally, Applicant agrees to comply with the standards set forth in the Gilbert Construction Noise Ordinance, Ordinance No. 1245, during construction of the project. In no case shall the operational noise level be more than 3 db above background noise as of the noise study prepared for this application. The Applicant shall also, to the extent reasonably practicable, refrain from venting between the hours of 10:00 p.m. and 7:00 a.m.

Status ~ No update or change from January 2003 quarterly report.

11. Applicant will work with the Gilbert Unified School District to assist it in converting as many as possible of its school bus fleet to green diesel or other alternative fuel, as may be feasible and determined by Gilbert Unified School District, and will contribute a minimum of \$330,000 to this effort.

Status ~ SRP has procured three (3) new, 84-passenger buses, which will be electronically tuned to meet current EPA standards from I-10 International. Additionally, SRP has purchased 33 diesel oxidation catalysts to be fitted and retrofitted on new and existing school buses. Delivery of the buses is scheduled for the end of the 2nd quarter 2003.

12. Applicant shall actively work with all interested Valley cities, including at a minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a Major Investment Study through the Regional Public Transit Authority to develop concepts and plans for commuter rail systems to serve the growing population of the East Valley. Applicant will contribute a maximum of \$400,000 to this effort.

1 ***Status ~ The Transit Study is essentially complete. The East Valley***
2 ***committee has completed their review. The Town of Gilbert staff is due***
3 ***to present the study to the Town Council by the 2nd quarter of 2003 for***
4 ***adoption into their general plan.***

- 5 13. Within six months of approval of this Order by the Arizona Corporation
6 Commission, Applicant shall either relocate the gas metering facilities to the
7 interior of the plant site or construct a solid wall between the gas metering
8 facilities at the plant site and Warner Road. The wall shall be of such
9 strength and size as to deflect vehicular traffic (including a fully loaded
10 concrete truck) that may veer from Warner Road to the gas-metering site.

11 ***Status ~ SRP has completed the activity required by this condition.***

- 12 14. Applicant will use only SRP surface water, CAP water or effluent water for
13 cooling and power plant purposes. The water use for the plant will be
14 consistent with the water plan submitted in this proceeding and acceptable
15 to the Department of Water Resources. Applicant will work with the Town of
16 Gilbert to attempt to use available effluent water, where reasonably feasible.

17 ***Status ~ In 2002 SRP delivered 10,146 acre feet of CAP water to the***
18 ***Granite Reef Underground Storage Project for future use at SEP via***
19 ***recovery from any SRP owned wells (Association or District) and***
20 ***delivered to SEP from the Eastern Canal (or onsite District wells). We***
21 ***are on target to meet or exceed the requirement to store 30,000 acre feet***
22 ***of CAP water by May, 2005 as set forth in the water plan provided to the***
23 ***Line Siting Committee.***

- 24 15. Applicant agrees to comply with all applicable federal, state and local
25 regulations relative to storage and transportation of chemicals used at the
26 plant.

27 ***Status ~ No update or change from January 2003 quarterly report.***

- 28 16. Applicant agrees to maintain on file with the Town of Gilbert safety and
29 emergency plans relative to emergency conditions that may arise at the
30 plant site. On at least an annual basis Applicant shall review and update, if
31 necessary, the emergency plans. Copies of these plans will be made
32 available to the public and on Applicant's web site. Additionally Applicant
33 will cooperate with the Town of Gilbert to develop an emergency notification
34 plan and to provide information to community residents relative to potential
35 emergency situations arising from the plant or related facilities. Applicant
36 agrees to work with the Gilbert police and fire departments to jointly develop
37 on site and off-site evacuation plans, as may be reasonably appropriate.
38 This cooperative work and plan shall be completed prior to operation of the
39 plant expansion.

1
2 **Status ~ No update or change from January 2003 quarterly report.**

- 3 17. In obtaining air offsets required by EPA and Maricopa County, Applicant will
4 use its best efforts to obtain these offsets as close as practicable to the plant
5 site.

6 **Status ~ No update or change from January 2003 quarterly report.**

- 7 18. In order to reduce the possibility of generation shortages and the attendant
8 price volatility that California is now experiencing, SRP will operate the
9 facilities consistent with its obligation to serve its retail load and to maintain a
10 reliable transmission system within Arizona.

11 **Status ~ No update or change from January 2003 quarterly report.**

- 12 19. Beginning upon operation of the new units, Applicant will establish a citizens'
13 committee, elected by the CWG, to monitor air and noise compliance and
14 water quality reporting. Applicant will establish on-site air and noise
15 monitoring facilities to facilitate the process. Additionally Applicant shall
16 work with Maricopa County and the Arizona Department of Environmental
17 Quality to enhance monitoring in the vicinity of the plant site in a manner
18 acceptable to Maricopa County and the Arizona Department of
19 Environmental Quality. Results of air monitoring will be made reasonably
20 available to the public and to the citizens' committee. Applicant shall provide
21 on and off-site noise monitoring services (at least on a quarterly basis),
22 testing those locations suggested by the citizens' committee. The off-site air
23 monitoring plan shall be funded by the Applicant and be implemented before
24 operation of the plant expansion.

25 **Status ~ The air monitoring station is installed and is currently being
 calibrated. Plans are to begin the air monitoring program during May,
 2003.**

20. Applicant will explore, and deploy where reasonably practicable, the use of
 available technologies to reduce the size of the steam plumes from the unit
 cooling towers. This will be a continuing obligation throughout the life of the
 plant.

Status ~ No update or change from January 2003 quarterly report.

21. SRP will, where practicable, work with El Paso Natural Gas Company to use
 the railroad easements for the installation of the new El Paso gas line.

1 ***Status ~ SRP and it's consultants on the pipeline design process have***
2 ***selected a route contiguous with the railroad, where possible, for much***
3 ***of its length. RR easements were not used because of the RR refusal to***
4 ***grant SRP a perpetual easement for the gas line. The RR would only***
5 ***grant a permit, which would require SRP to move the gas line at the RR***
6 ***request. SRP is constructing the gas line because El Paso Natural Gas***
7 ***could not guarantee to meet the in-service date.***

- 8 22. Other than the Santan/RS 18 lines currently under construction, Applicant
9 shall not construct additional Extra High Voltage transmission lines (115kV
10 and above) into or out of the Santan site, including the substation on the site.

11 ***Status ~ No update or change from January 2003 quarterly report.***

- 12 23. Applicant will replace all Town of Gilbert existing street sweepers with
13 certified PM10 efficient equipment. A PM10 efficient street sweeper is a
14 street sweeper that has been certified by the South Coast Air Quality
15 Management District (California) to comply with the District's performance
16 standards under its Rule 1186 (which is the standard referenced by the
17 Maricopa Association of Governments).

18 ***Status ~ SRP has completed the activity required by this condition.***

- 19 24. Applicant shall work in a cooperative effort with the Office of Environmental
20 Health of the Arizona Department of Health Services to enhance its
21 environmental efforts.

22 ***Status ~ No update or change from January 2003 quarterly report.***

- 23 25. Applicant shall operate, improve and maintain the plant consistent with
24 applicable environmental regulations and requirements of the Environmental
25 Protection Agency, the Arizona Department of Environmental Quality,
26 Maricopa County and the Town of Gilbert.

27 ***Status ~ No update or change from January 2003 quarterly report.***

- 28 26. Applicant shall actively work in good faith with Maricopa County in its efforts
29 to establish appropriate standards relative to the use of distillate fuels in
30 Valley generating facilities.

31 ***Status ~ No update or change from January 2003 quarterly report.***

- 32 27. Applicant shall install continuous emission monitoring equipment on the new
33 units and will make available on its website emissions data from both the
34 existing and new units according to EPA standards. Applicant shall provide
35 information to the public on its website in order to assist the public in
36 interpreting the data, and provide viable information in a reasonable time

1 frame.

2 **Status ~ No update or change from January 2003 quarterly report.**

- 3 28. Applicant will comply with the provisions of the Intergovernmental
4 Agreement dated April 25, 2000 between Applicant and the Town of Gilbert,
as modified pursuant to this Certificate.

5 **Status ~ There are eight SRP obligations noted on the IGA. The status
6 of each obligation is as follows:**

- 7 • **Improvements to Warner Road and Val Vista Road ~ The Town of
8 Gilbert hired Oridian to coordinate the Warner Road project.
9 Archon, Inc. was awarded the construction contract for the work.
10 SRP has been maintaining contact with the Town and with
11 Archon. SRP continues to emphasize the strong desire to
12 maintain all major trees. The work on the north border of the
13 Santan property is complete, except for a small portion of the
14 landscaping work in the median. The widening of Warner west of
15 Val Vista is in progress. The Val Vista Road work will be
16 performed after the Warner Road widening. Based on current
17 progress, the Val Vista Road entrance to Santan Generating
18 Station is projected to be closed for two to three weeks in the
19 middle of May to accommodate the Val Vista Road work. All work
20 associated with the project has a 180 day completion estimate
21 (approximately July 14, 2003). To date, seven days have been
22 added to this schedule due to storm delay.**
- 23 • **Screening of the Plant ~ SRP, in conjunction with Ten Eyck
24 Landscape Architects, has developed construction documents
25 for the agreed onsite design. The CWG has reviewed and
approved the documents. The Town review is complete. The
RFP for landscape construction was issued on April 3, 2003. The
contract will be awarded on May 14, 2003.**
- **Trail Extension ~ SRP will add the trail extension on the east side
of Santan and incorporate the extension in the on-site design
plan.**
- **Rerouting of Canal at Ray Road ~ This canal modification is
complete.**
- **Training Tower Removal ~ This training tower was removed in
the fall of 2000.**
- **Revegetation Along New RS 18 Line ~ SRP has restored any
vegetation damaged or destroyed along the RS 18 line as a
result of the construction of the line.**
- **Dust Control Along Canals ~ SRP is in compliance with
applicable PM-10 standards along SRP canal banks.**
- **Offsite Tree Planting ~ The offsite landscaping programs have
been developed. See Condition 7 status for more details.**

29. During the proceeding neighbors to the plant site raise significant concern
about the impact of the plant expansion on residential property values. In

performing each of the conditions in this order Applicant, in conjunction where applicable, with the Town of Gilbert and the plant site neighbors, shall consider and attempt to maximize the positive effect of its activities on the values of the homes in the surrounding neighborhoods.

Status ~ No update or change from January 2003 quarterly report.

30. Applicant shall construct the auxiliary boiler stack at such height as may be determined by air modeling requirements. Applicant shall situate the auxiliary boiler stack so that it is not visible from off the plant site.

Status ~ SRP will not use an auxiliary boiler so no auxiliary boiler stack will be necessary. Steam required for the start-up of the steam turbine generator will be supplied from the Heat Recovery Steam Generator (HRSG).

31. Applicant will construct the heat recovery steam generators ("HRSG") approximately 15 feet below grade and will construct the HRSGs so that the overall height of the HRSG module from the natural grade is no more than 80 feet.

Status ~ No update or change from January 2003 quarterly report.

32. Applicant will complete the installation of the dry low NOX burners on the existing units prior to the construction of the new units.

Status ~ SRP has completed the activity required by this condition.

33. Applicant shall not transfer this Certificate to any other entity for a period of 20 years from the date of approval by the Corporation Commission, other than as part of a financing transaction where operational responsibilities will remain with Applicant, and where Applicant will continue to operate the plant in accordance with this Certificate.

Status ~ No update or change from January 2003 quarterly report.

34. Applicant shall post on its website, when its air quality permit application is submitted to the Maricopa County Environmental Services Department. Also, Applicant shall post on its website any official notice that may be required to be posted in newspapers for its air quality permit application.

Status ~ SRP has completed the activity required by this condition.

GRANTED this ____ day of February, 2001

1 ARIZONA POWER PLANT AND TRANSMISSION
2 LINE SITING COMMITTEE

3
4 By Paul A. Bullis
5 Its Chairman

6 BEFORE THE ARIZONA CORPORATION COMMISSION

7 In the matter of the Application of Salt)
8 River Project Agricultural Improvement and)
9 Power District in conformance with the)
10 requirements of Arizona Revised Statutes)
11 Sections 40-360-03 and 40-360.06, for a)
12 Certificate of Environmental Compatibility)
13 authorizing the Expansion of its Santan)
14 Generating Station, located at the intersection)
15 of Warner Road and Val Vista Drive,)
16 in Gilbert, Arizona, by adding 825 megawatts)
17 of new capacity in the form of three combined)
18 cycle natural gas units, and associated)
19 intraplant transmission lines.)
20)
21)
22)
23)
24)
25)

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

26 The Arizona Corporation Commission (Commission) has conducted its review, as
27 prescribed by A.R.S. §40-360.07. Pursuant to A.R.S. §40-360.07(B), the Commission,
28 in compliance with A.R.S. §40-360.06, and in balancing the broad public interest, the
29 need for an adequate, economical and reliable supply of electric power with the desire
30 to minimize the effect thereof on the environment and ecology of the state;

31 The Commission finds and concludes that the Certificate of Environmental
32 Compatibility should be granted upon the additional and modified conditions stated
33 herein.

- 34 35. The Santan Expansion Project shall be required to meet the Lowest
35 Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen
Oxides (Nox), Volatile Organic Carbons (VOCs), and particulate Matter
less than ten micron in aerodynamic diameter (PM10). The Santan

Expansion Project shall be required to submit an air quality permit application requesting this LAER to the Maricopa County Environmental Services Department.

Status ~ No update or change from January 2003 quarterly report.

36. Due to the plant's location in a non-attainment area, the Applicant shall not use diesel fuel in the operation of any combustion turbine or heat recovery steam generator located at the plant.

Status ~ As summarized in the past, the recent FERC decision to eliminate the current "full requirement" gas transportation contracts between El Paso and the southwestern states could have a significant impact on natural gas supplies in Arizona. In response, SRP has completed an operational assessment of the possible use of ultra low sulfur fuel. As previously reported, the turbine equipment manufacturer, General Electric (GE) provided SRP with an evaluation of the performance of the existing gas turbines on ultra low sulfur fuel. GE reported that SO₂ emissions would be significantly lower, and emissions of other criteria pollutants (NO_x, VOC, PM₁₀, CO) would be comparable when using ultra low sulfur fuel as compared to low sulfur fuel or CARB diesel. Based on SRP's concerns regarding the potential negative impacts of FERC's decision, SRP is contemplating filing an amendment to the Santan Certificate of Environmental Compatibility to permit the use of ultra low sulfur fuel during emergencies, such as natural gas curtailments.

Fuel Comparison

Ultra low sulfur fuel compares favorably to both low sulfur diesel and CARB diesel. Figure 1 shows the fuel comparison.

Figure 1: Comparison of Fuel Characteristics

Property	Natural Gas	Low Sulfur Diesel	CARB Diesel	Ultra Low Sulfur Fuel
Sulfur (ppm)	7.8 Ave¹	500 Max²	500 Max²	15 Max³
Nitrogen (ppm)	Unknown⁵	230 Ave⁴	98 Ave⁴	10 Max³
Aromatics (%)	Unknown⁵	32 Ave⁴	18.9 Ave⁴	12 Max³

¹ Average of deliveries made by El Paso to Arizona.

² Maximum per CARB/EPA rules.

³ Maximum per manufacturer specification.

⁴ Market Averages. Actual content varies by formulation/refinery.

⁵ Natural gas is not normally tested for these constituents.

1 **Distillate Fuel Storage Capacity**

2 ***Three tanks that were formerly used to store diesel fuel on site have***
3 ***been demolished, and removed from the plant site.***

4 ***Construction of two new, smaller tanks for the potential storage of ultra***
5 ***low sulfur fuel has been completed. The profile of the new tanks is***
6 ***thirteen feet less than the original tanks, substantially reducing the***
7 ***visual impact. The storage capacity of the new tanks is 44,000 barrels,***
8 ***roughly one-tenth of the original fuel storage capacity.***

- 9
- 10 37. In obtaining emissions reductions related to Carbon Monoxide (CO)
- 11 emissions, Applicant shall where technologically feasible obtain those
- 12 emission reductions onsite to the Santan Expansion Project.

13 **Status ~ *The Unit 4 CO catalyst is installed and operating, the Unit 2 CO***
14 ***catalyst will be complete by May, 2003 and Units 1 and 2 will be done***
15 ***during the outages of Winter, 2003/04.***

- 16
- 17 38. Beginning upon commercial operation of the new units, Applicant shall
- 18 conduct a review of the Santan Generating facility operations and
- 19 equipment every five years and shall, within 120 days of completing such
- 20 review, file with the Commission and all parties in this docket, a report
- 21 listing all improvements which would reduce plant emissions and the costs
- 22 associated with each potential improvement. Commission Staff shall
- 23 review the report and issue its findings on the report, which will include an
- 24 economic feasibility study, to the Commission within 60 days of receipt.
- 25 Applicant shall install said improvements within 24 months of filing the
- review with the Commission, absent an order from the Commission
- directing otherwise.

Status ~ *No update or change from January 2003 quarterly report.*

39. Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on
- an annual basis, thus improving the overall safety of pipelines throughout
- the State of Arizona.

Status ~ *No update or change from January 2003 quarterly report.*

40. Where feasible, Applicant shall strive to incorporate local and in-state
- contractors in the construction of the three new generation units for the
- expansion project.

Status ~ *Over thirty-five local or in-state contractors have been engaged*
 on some of the jobs completed or in progress since the January report.

41. Applicant shall construct a 10-foot high block wall surrounding the
- perimeter of the Santan plant, and appropriately landscape the area

1 consistent with the surrounding neighborhood, unless otherwise agreed to
2 by the Salt River Project and the Citizens Working Group.

3 Status ~ No update or change from January 2003 quarterly report.

4 **APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION**
5 **COMMISSION**

6
7 Chairman

Commissioner

Commissioner

8 In Witness hereof, I, Brian C. McNeil,
9 Executive Secretary of the Arizona
10 Corporation Commission, set my hand
11 and cause the official seal of this
12 Commission to be affixed this ____ day
13 of _____, 2001.

14 By: _____
15 Brian C. McNeil
16 Executive Secretary

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Dissent: _____

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APPENDIX A

PO Box 52025
Mail Station POB001
Phoenix, AZ 85072-2025
Phone: (602) 236-4311
Fax: (602) 236-4322
E-mail: rgdietri@srpnet.com

Randy G. Dietrich
Manager Fuels

April 3, 2003

(President's name)
(HOA name)
(HOA Address)

Dear (HOA President)

The following is in reference to the participation of (your HOA) in the Santan Expansion Project offsite landscaping program. As a reminder, plans are due to SRP by May 21, 2003. Please ensure your HOA submits the landscaping plan by the designated due date as SRP will not guarantee availability of the funds after that date.

To assist you in your submission and in addition to the general guidelines provided in the original letter of August 21, 2002 the following are items SRP will be looking for to help support and move along the approval process.

- ~ Plat map or aerial photo of community identifying plan improvements and locations of plant material
- ~ List of plants, trees, materials in the plan and associated cost
- ~ A written description of the plan
- ~ An implementation timeline

In complying with the guidelines mentioned in the August 21, 2002 letter your plan must also be consistent with the planning and permitting criteria of the Town of Gilbert. Please contact Jerry Swanson at (480) 503-6810 to arrange for the Town review and approval.

Again, plans must be received by May 21, 2003 to be included in the fund allocation. Upon plan review, SRP will forward a letter to indicate plan approval or a request for additional information.

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If you need assistance or have further questions please feel free to contact me at (602) 236-4311 or Michelle Colores at (602) 236-5442.

Sincerely,

Randy Dietrich